

Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 INT-05 AGRE-00 PA-01 /092 R

DRAFTED BY EA/J:E M FEATHERSTONE:EH
APPROVED BY EA/J:N PLATT
E: JWILSON (SUBS)

-----122889 230051Z /13

P 222220Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 046033

E.O. 11652: GDS

TAGS: EGEN, EFIN, ETRD, JA

SUBJECT: COOPER-KOSAKA MEETING

1. SUMMARY. DURING FEB 21 MEETING WITH UNDER SECRETARY COOPER, KOSAKA WAS VISIBLY PLEASED TO HEAR AUTHORITATIVELY THAT 7 PERCENT GOJ GROWTH RATE TARGET FIGURE ORIGINATED WITH JAPANESE SIDE AND WAS NOT RESULT OF ANY SPECIFIC PRESSURE FROM US TRADE NEGOTIATORS. KOSAKA WAS ALSO RELIEVED TO KNOW THAT THERE WAS ABSOLUTELY NO LINKAGE IN MINDS OF USG OFFICIALS BETWEEN TRADE ISSUES AND MUTUAL SECURITY TREATY. HE EXPRESSED VIEW THAT IT WOULD BE IMPOSSIBLE FOR JAPAN TO GROW MORE THAN 4-5 PERCENT IN 1978. END SUMMARY.

2. DIET MEMBER AND LDP LEADER TOKUSABURO KOSAKA MET FOR 45 MINUTES FEB 21 WITH UNDER SECRETARY FOR ECONOMIC AFFAIRS RICHARD N. COOPER. FOLLOWING AMENITIES, KOSAKA RECALLED
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RECENT TRADE NEGOTIATIONS AND ASKED COOPER TO CONFIRM THAT GOJ'S 7 PERCENT REAL GROWTH TARGET FOR 1978 HAD, IN FACT, BEEN PROPOSED BY JAPANESE SIDE RATHER THAN ADOPTED UNDER PRESSURE FROM US NEGOTIATORS. COOPER DID SO, GIVING FULL FACTS AND EMPHASIZING SOVEREIGN NATURE OF DECISIONS ON DOMESTIC ECONOMIC GROWTH. KOSAKA NOTED THAT MISLEADING PRESS ACCOUNTS HAD CREATED WIDESPREAD MISUNDERSTANDING OF

THIS POINT IN JAPAN TO EFFECT THAT US HAD FORCED DECISION ON GOJ. IT WAS VERY IMPORTANT TO KNOW TRUE FACTS, HE SAID, AND HE WAS THEREFORE RELIEVED TO HEAR CORRECT VERSION. KOSAKA ADDED THAT SOME ACCOUNTS OF RECENT NEGOTIATIONS HELD THAT US HAD IMPLIED THAT LACK OF FAVORABLE OUTCOME ON GROWTH RATE AND CURRENT ACCOUNT SURPLUS ISSUES COULD IMPACT ADVERSELY ON US-JAPAN SECURITY RELATIONSHIP. UNDER SECRETARY COOPER ASSURED HIM THAT SUCH STORIES WERE GROUNDLESS, AND THAT THE FOCUS OF THE CONSULTATIONS HAD BEEN ENTIRELY ECONOMIC.

3. UNDER SECRETARY COOPER STRESSED THAT JAPAN'S CURRENT ACCOUNT SURPLUS, UNLIKE ITS GROWTH RATE, WAS NOT SOLELY A DOMESTIC CONSIDERATION. HE NOTED THAT OPEC'S CURRENT SURPLUS OF ABOUT \$40 BILLION MEANT AN EQUIVALENT DEFICIT OF THAT SIZE SOMEWHERE ELSE. HE POINTED OUT THAT US ACCOUNTED FOR ABOUT HALF BUT COULD NOT ABSORB ALL OF THAT DEFICIT WITHOUT THREATENING INTERNATIONAL MONETARY SYSTEM. WE RECOGNIZED THAT JAPAN COULD NOT MOVE TO DEFICIT POSITION OVERNIGHT, BUT GOJ NEEDED TO ACT PROMPTLY. HE RECALLED USG ARGUMENTS TO THIS EFFECT USED AT SUB-CABINET MEETINGS.

4. KOSAKA SAID THERE WAS NEED IN JAPAN FOR DOMESTIC CONSENSUS BEFORE GOVERNMENT COULD APPROACH PROBLEM AND THAT ONE COULD NOT ACHIEVE SUCH CONSENSUS IF THERE WERE CONFIDENTIAL

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SERIOUS MISUNDERSTANDINGS. HE SAID HE WOULD CONVEY SUBSTANCE OF HIS MEETINGS HERE TO LDP LEADERSHIP IN HIS CAPACITY AS CHAIRMAN OF PARTY ECONOMIC POLICY COMMITTEE. UNDER SECRETARY RESPONDED THAT THIS WOULD BE HELPFUL.

5. KOSAKA EXPRESSED VIEW THAT IT WOULD BE IMPOSSIBLE FOR JAPAN, NOW GOING THROUGH ITS WORST ECONOMIC CRISIS IN SOME TIME, TO ACHIEVE 7 PERCENT GROWTH. LEADING ANALYSTS AND BANKS, HE CLAIMED, ESTIMATED 4 PERCENT OR AT MOST 5 PERCENT. HE ADDED THAT 7 PERCENT RATE WOULD LIKELY BE HIGHLY INFLATIONARY GIVEN FUKUDA'S LACK OF GOOD IDEAS ON FINANCIAL PUMP PRIMING, ECOLOGICAL OBJECTIONS TO INDUSTRIAL PROJECTS AND DEFICIT SPENDING. COOPER NOTED THAT JAPAN'S POST WAR RECORD AND HIGH CURRENT INCIDENCE OF UNDER- OR UNEMPLOYMENT MADE ACHIEVEMENT OF 7 PERCENT GROWTH RATE WITHOUT SIGNIFICANT INFLATION REASONABLE AND ACHIEVABLE GOAL. HE EXPRESSED VIEW THAT HIGHER GROWTH RATE WOULD ENABLE JAPAN TO AVOID POSSIBLE DISLOCATION AND STRAIN ENGENDERED BY ACTIONS TO ELIMINATE OR REDUCE CURRENT ACCOUNT SURPLUS. KOSAKA CONTINUED TO EXPRESS SKEPTICISM.

6. KOSAKA REMARKED THAT IT WAS DIFFICULT FOR JAPANESE TO

FIND ITEMS THEY WOULD LIKE TO BUY FROM US OTHER THAN ALASKAN OIL, COAL AND FOODSTUFFS. HE SAID THAT LARGE BUYING MISSION WOULD ARRIVE MARCH 2 HEADED BY HIS PERSONAL FRIEND, MR. IKEDA, PRESIDENT OF MISTSUI BUSSAN AND AN INNOVATIVE AND RESOURCEFUL MAN. HE HOPED COOPER COULD SEE IKEDA. UNDER SECRETARY NOTED THAT US REALLY HAD NO OIL TO SELL AS WE WOULD STILL BE NET IMPORTER, EVEN WITH ALASKAN PETROLEUM; HOWEVER, IN NORMAL TIMES WE DID HAVE PLENTY OF COAL. HE SAID A SCHEDULED OVERSEAS TRIP IN EARLY MARCH MIGHT MAKE IT DIFFICULT FOR HIM TO SEE IKEDA, BUT SAID HE WOULD MAKE A STRONG EFFORT TO DO SO.

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7. WHILE WAITING TO BE RECEIVED BY COOPER KOSAKA RAISED QUESTIONS ABOUT ORIGINS OF GROWTH AND CURRENT ACCOUNT TARGET FIGURES IN USHIBA-STRAUSS STATEMENT WITH COUNTRY DIRECTOR PLATT. PLATT ASSURED HIM THAT FIGURES ORIGINATED ON JAPANESE SIDE. KOSAKA ASKED WHETHER US REGARDED FIGURES IN STATEMENT AS TARGETS OR PROMISES. PLATT DECLINED TO COMMENT, NOTING POLITICAL SENSITIVITY OF SEMANTIC ISSUES IN JAPAN, AND STATING THAT STATEMENT SPOKE FOR ITSELF. WHEN KOSAKA ASKED WHAT WOULD HAPPEN IF JAPAN FAILED TO LIVE UP TO TARGET FIGURES, PLATT, ALLUDING TO AMBASSADOR MANSFIELD'S VIEWS ON THE SUBJECT, SAID THAT THE AGREEMENT HAD BEEN NEGOTIATED IN GOOD FAITH AND THAT THE UNITED STATES SHARED THE CONFIDENCE OF THE GOJ THAT IT WOULD MEET ITS TARGETS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE046033
Document Source: CORE
Document Unique ID: 00
Drafter: E M FEATHERSTONE:EH
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780083-0050
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780226/aaaaavry.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8c7f9ed1-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3515657
Secure: OPEN
Status: NATIVE
Subject: COOPER-KOSAKA MEETING
TAGS: EGEN, EFIN, ETRD, JA
To: TOKYO
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8c7f9ed1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014